

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Airports Public Works	(2) MEETING DATE 9/13/2016	(3) CONTACT/PHONE <div style="display: flex; justify-content: space-between;"> <div>Kevin Bumen, Director Director of Airports 781-5205</div> <div>Robert Ruiz Project Manager, Public Works 788-2114</div> </div>	
(4) SUBJECT Presentation of a project update on the new terminal building at the San Luis Obispo County Regional Airport. All Districts.			
(5) RECOMMENDED ACTION It is recommended the Board receive and file the project update for the New Terminal Building at the San Luis Obispo County Regional Airport.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____ ) <input checked="" type="checkbox"/> Board Business (Time Est. <u>15 Mins</u> )			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A    Date: : <u>2/9/16</u> , <u>1/5/16</u> , <u>12/8/15</u> , <u>10/6/15</u> , <u>8/11/15</u> , <u>3/17/2015</u> , <u>10/28/2014</u> , <u>7/15/2014</u> , <u>3/11/2014</u> , <u>11/5/2013</u> , <u>9/24/2013</u> , <u>7/23/2013</u> , <u>3/5/2013</u>	
(17) ADMINISTRATIVE OFFICE REVIEW David E. Grim			
(18) SUPERVISOR DISTRICT(S) All Districts.			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Airports / Kevin Bumen, Director of Airports  
Public Works / Robert Ruiz, Project Manager, Via: Wade Horton, Director of Public Works

DATE: 9/13/2016

SUBJECT: Presentation of a project update on the new terminal building at the San Luis Obispo County Regional Airport. All Districts.

## **RECOMMENDATION**

It is recommended the Board receive and file the project update for the New Terminal Building at the San Luis Obispo County Regional Airport.

## **DISCUSSION**

### Background

On August 11, 2015, your Board authorized project 330023 – Airport – SLO - Construction Passenger Terminal (the “Project”) with a total Project budget of \$35,422,008. Your Board action also authorized Airports to move forward with construction of the Project, awarded the construction contract to Q&D Construction, and awarded a Construction Management Services contract to Arcadis U.S. Inc.

A Notice to Proceed was issued to the contractor on October 2, 2015, with an initial contract duration of 730 days (24 months) which has since been extended 30 days as a result of inclement weather days experienced this past winter. Although the construction contract was originally for 24 months, the contractor submitted a baseline schedule indicating that he could complete construction in 16 months. Issued change orders and some work activities, taking longer than expected, have caused the contractor to push his anticipated completion date out but still remain within the current 760-day contract time. Q&D Construction’s current completion date is now forecasted to occur in late July 2017 while the current contract time runs through October 31, 2017.

### I. Current Construction Status

Construction of the nearly 56,000 s.f. terminal building and associated infrastructure and site work has been ongoing for 11 months which is 43% of the current construction contract time. Contractor billings to date are approximately 34% of the contract value.

Elements of construction completed so far include demolition of pre-existing facilities, earthwork, building foundation, underground/under slab utilities and the slab on grade. Elements currently in progress include erection of structural steel, the baggage tunnel, roofing, wall framing, site and parking lot work and work associated with the vertical node.

### II. Project Budget and Expenditures

The Project is funded by various sources which include FAA Airport Improvement Program (AIP) grants, on hand reserves from Airport fees for Passenger Facility Charges (PFC’s) and Customer Facility Charges (CFC’s) along with internal and third party (I-Bank) financing. The funding amount from each of these sources is as follows:

<u>Funding Source</u>	<u>Amount</u>
FAA Airport Improvement Program Grants (AIP)	\$24,190,687
Passenger Facility Charges (PFC's) on hand	\$ 1,774,718
Customer Facility Charges (CFC's) on hand	\$ 339,802
Third Party Financing (IBank)	\$ 6,000,000
Contingencies (Internal Loan)	<u>\$ 3,116,801</u>
	\$35,422,008

Project expenditures through July 2016 plus projected costs for pending August 2016 invoices total \$13,366,386 and are summarized below:

<u>Item</u>	<u>Budget</u>	<u>Expenditure thru July 2016</u>	<u>August 2016 Projection</u>	<u>Total</u>	<u>Total %</u>
Construction	\$27,500,000	\$ 8,001,873	\$1,400,000	\$ 9,401,873	34%
Furniture Procurement	\$ 1,077,184	\$ 0	\$ 0	\$ 0	0%
Soft Costs	\$ 3,668,023	\$ 2,159,315	\$ 200,000	\$ 2,359,315	64%
Debt Issuance Costs	\$ 60,000	\$ 0	\$ 0	\$ 0	0%
Construction Contingencies	\$ 2,750,000	\$ 1,496,427	\$ 0	\$ 1,496,427	54%
Soft Cost Contingencies	<u>\$ 366,801</u>	<u>\$ 108,771</u>	<u>\$ 0</u>	<u>\$ 108,771</u>	<u>30%</u>
Total	\$35,422,008	\$11,776,386	\$1,600,000	<b>\$13,366,386</b>	38%

Costs to relocate existing overhead utility lines underground and for constructing street lights along the new terminal frontage were not included in the invitation to Bid, Q&D Construction's bid or budgeted prior to construction but are needed to allow for construction of the terminal and are essential for operations. These items are being paid with contingency funds and are denoted with an \* in the following contingency expenditure breakdown:

<b>Construction Contingency:</b>	Earth Work Change Orders	\$ 847,000
	Street Lights	\$ 106,649*
	Conversion of existing overhead utilities to underground	\$ 128,500*
	Changes/additions essential for operations	<u>\$ 414,278</u>
		\$1,406,096
<b>Soft Cost Contingency:</b>	Consultant Reimbursables	\$ 25,000
	Utility Company Engineering and Const. Costs	<u>\$ 83,771*</u>
		\$ 108,771

### III. Pending Project Risk and Exposure to Budget

The Project will have some risk and exposure until construction is complete with the risk and exposure diminishing as completion nears. Current items of risk and exposure include:

a. Potential Claims:

There are currently three open notices of potential claim for which the contractor is seeking a total of \$175,000. Proper responses to existing and future claim and delay notices from the contractor require a great amount of effort by the County's management team and consultants.

b. Schedule:

Since approximately 65% of the work remains to be performed, the risk associated with the contractor not completing on time remains until the end of construction. Although the contractor is forecasting to complete construction prior to the time allowed under the contract, contractor billings to date, which should be directly proportional to work completed, lag behind billings planned prior to start of construction.

c. Terminal Transition:

Coordination with the TSA, airlines, rental car companies and other stakeholders is ongoing. Procurement of furniture for the new terminal, development of RFP's and new agreements, planning for signage and for providing ADA compliant access ways from existing parking lots to the new terminal are among tasks that the County's management team has undertaken. These tasks, along with others, need to be planned for and implemented prior to completion of the new terminal. The guidance from Project consultants for these tasks is currently not in their scope but is essential for a seamless transition into the new terminal. Therefore, when professional consultant contracts are amended, as discussed below, this scope will be added.

d. Post Construction Storm Water Requirements:

The Regional Water Quality Control Board ("Water Board") has questioned the exempt status under which this project was permitted. The County is currently in discussions with the Water Board but should the Water Board not agree with the exempt status, the County will be subject to designing and installing post construction storm water measures that are not included in the current Project.

e. Professional Services Contracts:

The Architectural and Inspector of Record are under contract for 16 months, which is in line with the early finish construction duration the contractor forecasted prior to start of construction. Construction is now expected to continue to near the full term of the contract time. These contracts need to be extended to ensure the County has the professional support needed thru the life of construction. The Special Inspector and Construction Manager had accelerated efforts on their contract in alignment with the early finish 16-month construction schedule. They have consumed their budgets quicker than forecasted. This is due to increased inspection required during fabrication of structural steel and expanded earthwork related to change orders, and to keep pace with and manage claim and delay notices, respectively. Amending these two contracts will be necessary as well.

Negotiations with consultants has begun and when complete, Airports will return on a future Board date with a recommendation to amend consultant contracts. It is expected that the total consultant amendment value will be between \$1.3M to \$1.6M. Staff will submit the change orders to the FAA to request grant funding for all eligible costs after action is taken by your Board.

f. Contingencies:

Ten change orders have been issued for varying reasons (see attachment). Costs for the change orders issued to date, converting the existing overhead utilities to underground and for constructing street lights total \$1,496,427 and are payable with contingency funds.

Approximately \$454,012 of extra work is currently being negotiated with the contractor and it is expected additional extra work beyond this will arise as construction continues. The FAA has documented a sizable portion of the already completed change order work is eligible for reimbursement with grant funding. FAA policy does allow for reimbursement of costs related to amending professional services contracts. Requests for reimbursement of costs for future change order work and consultant contract amendments will be submitted to the FAA after the change orders are issued and after the Board approves the consultant amendments, respectively.

The FAA typically issues reimbursements upon completion of construction so the County will have to cash flow the project if existing contingencies are exhausted prior to completion of construction. Therefore, the future Board recommendation to amend the consultant contracts will also include a recommendation to replenish the project contingencies.

g. Financing:

The County has been working with the I-Bank's Infrastructure State Revolving Fund to meet conditions of their loan program which do not permit financing of any areas of a facility which they deem to have elements of private enterprise use. These requirements are connected with the governmental tax-exempt nature of the bonds committed to fund the airport terminal project. In making the private enterprise determination, the I-Bank considers areas having leases in place, such as the airline ticket counter and concessionaire areas, to be private enterprise and ineligible for tax-exempt funding. The County and its consultants are working to determine sufficient eligible areas of the terminal to utilize the \$6,000,000 of I-Bank financing in the original funding plan approved by the BOS on August 11, 2015. Should we be unable to resolve these issues alternate funding may be needed through either a direct County bond issuance or use of an internal County loan to the Airport. Either of these alternatives would be brought before the Board for approval.

#### **OTHER AGENCY INVOLVEMENT/IMPACT**

The FAA is funding a majority of the Project and provides oversight. A Steering Committee is established for this project and is actively involved in providing project oversight. The Steering Committee participants include representatives from Airports, Public Works, Auditor-Controller-Treasurer-Tax Collector, County Administrative Office, County Counsel and the

Construction Manager.

County Counsel is providing legal guidance on all aspects of the Project with Public Works and Airports jointly managing it.

### **FINANCIAL CONSIDERATIONS**

There are no financial impacts to the Project at this time if the recommended action is accepted.

### **RESULTS**

Acceptance of the recommended action will continue progress towards completion of a new state of the art passenger facility that will ensure the continued viability of the airport and commercial air service for the County of San Luis Obispo. The new terminal will last for decades to come and will enable County Airports to more effectively meet changing security requirements, airline needs and customer expectations.

### **ATTACHMENTS**

1. Attachment 1: Site Map
2. Attachment 2: Change Order Log